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**DeNUCCI FAULTS MASSPORT FOR MULTI-MILLION DOLLAR
NO-BID WATERFRONT LEASE AND DEVELOPMENT**

State Auditor Joe DeNucci reported in an audit today that the Massachusetts Port Authority could lose millions of dollars in revenue from favorable lease terms for a South Boston waterfront development in a no-bid land deal.

DeNucci's audit, which reviewed Massport's agreement for development of a 465-unit residential apartment complex and an adjoining 520-space parking garage on two parcels of choice waterfront property, found the following:

- Under the 95-year lease, Massport will charge no rent for the first 14 years for approximately 20,000 square feet of ground-floor retail space. During this period, the developer will realize rental income of approximately \$400,000 per year, (\$20 per square foot) for a total of \$5.6 million, unadjusted for rent increases. Thereafter, Massport will receive only 4 percent of gross revenues.
- Massport will charge no rent for the parking garage for the first 12 years. Thereafter, Massport will receive only 20 percent of the garage's gross revenues which exceed \$3.12 million per year, with increases each year until the 33rd year, when Massport will receive 20 percent of all gross parking revenues.
- Based on an estimate of \$200 to \$300 per month per space, the 520 parking spaces could generate as much as \$30 million to \$45 million to the developer over the first 12 years of the lease, during which Massport will receive no rental income. This includes 155 spaces which the developer is renting on a monthly basis to an adjacent hotel tenant at the prevailing market rate, increased by 5 percent each year.

DeNucci's audit noted that the residential complex – known as the Park Lane Seaport – as well as the parking garage parcel were originally to be part of a development that included the adjacent hotel on a third parcel. Just four months after awarding the hotel parcel development rights, Massport decided to forego a competitive bidding process and gave the same developer rights to the two adjacent parcels for the residential/retail and parking garage projects.

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For more than six years, the developer was unable to secure a national hotel tenant for that parcel and sold the development rights for the hotel for \$4 million, while retaining the rights to the two parcels obtained through the no-bid process. Massport did not share in those proceeds and did not seek reimbursement from the developer for the \$1.5 million Massport paid to relocate an existing tenant from the site on behalf of the developer.

According to DeNucci's audit, the original development rights for the residential/retail and parking garage projects were granted through a no-bid, sole-source arrangement because Massport felt a single developer was needed to oversee the entire residential/retail, parking garage and hotel project. However, DeNucci said Massport's rationale is no longer defensible because the projects are now being built by two separate developers.

Although Massport noted in its response that the terms of the lease for the two residential/retail parcels were set after the authority utilized the services of a real estate consultant, DeNucci said it is the responsibility of Massport, not a consultant, to set the terms of a lease and to ensure they are in the best interests of the public.

"Without a competitive bid process, there is no way Massport can be assured that it is getting the best possible deal," said DeNucci. "Massport cannot justify a sole-source lease arrangement in which the authority doesn't share in the proceeds of the garage and retail space over the next 12 to 14 years."

"The South Boston waterfront is among the most valuable property on the East Coast, DeNucci concluded. "I call on Massport to review its lease and development practices to make sure that the public's interest is first and foremost."